

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

**Active & Retired
Member Edition**



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Upheaval in the Financial Markets

There has been no shortage of recent media coverage regarding the alarming and rapid developments in the nation's financial markets. KTRS has received many phone calls from members who are understandably anxious about their future retirement benefits given the troubling news coming from Wall Street. **The KTRS Board of Trustees wants to assure every member that the retirement system's investments are prudently diversified in a conservative, long-term approach to ensure that retirement allowances will always be paid.**

KTRS Investment Process

KTRS was established as a conservative investor with the goal of meeting or exceeding the actuarial required rate of return on its investments. KTRS has achieved this goal while minimizing the adverse effect of market downturns and fluctuations such as the country is currently experiencing. Over the past twenty years, KTRS investments have generated an annualized return of 8.6%, well above its actuarial goal of 7.5%. In achieving this return, KTRS has not only beaten some of the most recognized and respected industry benchmarks in the nation such as the S&P 500, it has also managed to keep its investment costs among the lowest in the country.

Over the past several years, the financial markets have experienced unprecedented growth in complexity and innovation. In hindsight, it was probably inevitable that such a period would lead to excesses and extraordinary volatility. The

protracted housing downturn and past bad lending practices are the underlying economic reality of the recent downturn. Fortunately, the System's disciplined investment process avoided unsound investment practices and products and has minimized the fund's downside volatility in the recent upheaval.

The System is currently involved in a multi-year program of broadening the portfolio's diversification into international stocks and non-traditional investments, such as timberland. Better diversification should lead to improved returns with less volatility for the overall portfolio. Our ongoing efforts are simply a continuation of a disciplined process and long-term focus. This focus has generated exceptionally stable returns through the System's history and we have every confidence that it will do so in the future. The Board and staff never forget that, for most of our members, the System represents their only source of retirement security. The System's primary objective is to continue to ensure its ability to provide that security.

It is the independence and the strength of the KTRS Board of Trustees, as it was established by the General Assembly at the inception of the retirement system in 1938, as well as the professional staff and outside investment consultants and managers, that has served the system so well and enabled it to ride out market downturns and continue to provide its retirees with retirement security upon which they can depend.

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**
479 Versailles Road
Frankfort, Kentucky 40601-3800

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